



**State of New Jersey
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us**

IN THE MATTER OF THE ESTABLISHMENT OF)
A UNIVERSAL SERVICE FUND PURSUANT TO)
SECTION 12 OF THE ELECTRIC DISCOUNT)
AND ENERGY COMPETITION ACT OF 1999)

ENERGY

UNIVERSAL SERVICE FUND
ORDER
AMENDING THE POLICY FOR
AWARDING FORGIVENESS UNDER THE
FRESH START PROGRAM

DOCKET NO. EX00020091

(SERVICE LIST ATTACHED)

BY THE BOARD:

Background

The Electric Discount and Energy Competition Act, N.J.S.A. 48:3-49 et seq. (EDECA or the Act) provided the Board establish a non-lapsing Universal Service Fund (USF) to assist low income consumers with the payment of electric and gas bills. On April 30, 2003, in this same Docket, the Board approved a USF program, which was to be operated on a statewide basis and funded through uniform charges on all customers' electric and natural gas bills.

When the Board created the USF program in 2003, it was based on the assumption that 6% of a customer's annual income was an affordable rate for electric and gas costs. Approximately 54,000 participants or about 40% of all USF initial enrollees entered the program with a significant arrearage, having been billed well in excess of 6% of their income for annual energy costs. The pre-USF arrearages for this population totaled roughly \$17 million. The USF working group acknowledged the need to address this problem by unanimously recommending an arrearage payment program.

On March 4, 2004, the Board approved the Working Group's recommended Arrearage Payment Program (APP), now known as Fresh Start. Fresh Start gives USF customers an opportunity to eliminate their pre-USF arrearages and creates stronger incentives for them to make regular payments. Fresh Start is designed around the premise that if a customer pays his/her bills for one full year that he/she should receive forgiveness of any pre-USF arrearages. Recognizing the variability of USF customers' incomes, and accounting for the fact that Fresh Start offers a very important one-time-only chance for USF customers, the Board created a three-month

grace period that allowed Fresh Start participants three months after the completion of the 12 month program year to make up any missed payments and still achieve full forgiveness.

Discussion

The Board's March 4, 2004 Order, which created the Fresh Start program, stated the following about the Fresh Start grace period:

"Customers that do not receive forgiveness after the 12- month period will have a 3-month grace period to make up these payments. At any point during this grace period if the customer pays all of the payments due during first 12 months, plus all of the payments due during the grace period, then forgiveness of all pre-program arrearages will be granted. If a customer fails to earn forgiveness by the end of this grace period, forgiveness will not be granted."

The USF working group unanimously recommends that the Board modify this policy and allow the customer to earn full forgiveness even if he/she is behind on the payment of a bill that came due during the grace period, so long as he/she has paid all of his/her bills for the 12-month Fresh Start program year in full. Therefore, the customer will have 15 months to make the required 12 monthly payments, and forgiveness would not be contingent on paying any bills due during the grace period. The working group cited three primary rationales for recommending this change:

- 1) This change would give customers a greater chance to succeed under Fresh Start, without lowering the basic standard the Board has set for the program, which is that customers who fully pay their bills for one year earn full forgiveness of their pre-USF arrearage. To pay 12-months worth of bills would be a significant behavioral change for Fresh Start participants, and is worthy of reward even if they are behind on a post-Fresh Start payment. Fresh Start customers typically have quite variable incomes, and allowing some leeway on grace period bills recognizes this fact.
- 2) This will make Fresh Start easier for utilities to administer. The programming logic is more straightforward if the only requirement to earn full forgiveness is paying 12 months worth of bills (rather than the requirement being the payment of anywhere from 12-15 months worth of bills, depending on the duration of the customer's grace period).
- 3) This change will make Fresh Start easier to explain to customers. Program administrators can now tell participants that if they pay 12 months worth of bills they will earn full forgiveness. Without this change, we must communicate to customers that they may not receive full forgiveness even if they pay 12 months of bills, depending on what month of the grace period they're in.

Recommendation

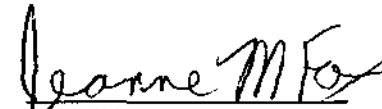
After review of the USF working group recommendation, the Board **HEREBY APPROVES** the modification as presented by Staff for awarding forgiveness under the Fresh Start program. Fresh Start participants will now be able to earn full forgiveness under Fresh Start if they are

behind on the payment of bills that came due during the grace period, so long as bills due during the 12-month duration of the Fresh Start program year have been paid in full.

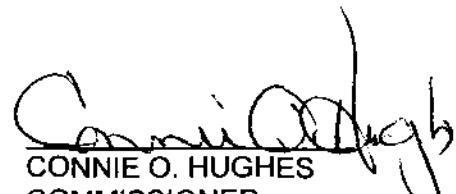
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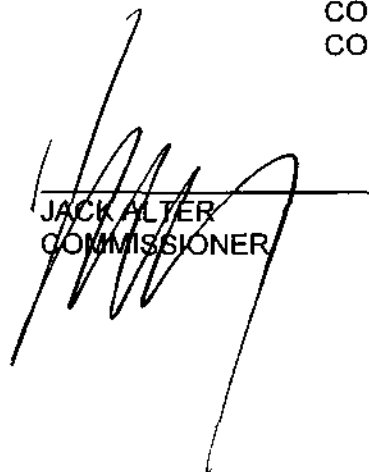
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BY:



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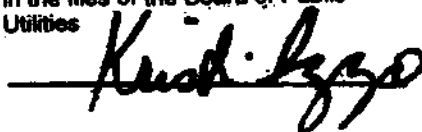

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I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities



In the Matter of the Establishment of a Universal Service Fund Pursuant to Section 12 of the
Electric Discount and Energy Competition Act of 1999
Docket No. EX00020091
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